4:Grajdanzev--61-62 S-4 (no date) 1942 Formosans-1-2
116, 241, 435, 452, 477, 655, 177.47 Japan
636.47

"It is said that there are conflicts between farmers and manufacturers because of the price, and there are also many complaints by the manufacturers that the farmers do not follow their instructions, and yet the manufacturers prefer dealing with thousands of farmers to producing all of the sugar cane themselves. The explanation is simple: it is cheaper to buy from the farmers, not only because the cultivation of [62] sugar cane is a sideline occupation for the small farmer from which he is glad to get even a small reward, but also because of the special regulations imposed on the farmers. No sugar mill can be established without official permission. Simultaneously with licensing, the area from which the new mill may buy sugar cane is allocated. It is not permitted to buy outside this area, and the farmers are obliged to sell their sugar to this mill only. For each mill there are on the average 3,000 farmers and thus there is competition between farmers inside the area, but a monopoly for the buyer. Of course, the farmer is free to sell or not to sell; to plant sugar cane or not. But, as we shall see, he has actually little choice in the matter.

The manufacturers have developed and perfected a system of advances to the farmers which deprive them of freedom in such matters. In 1935, for example, about fifteen million yen were paid out in advances. The total value of sugar cane in this year was fifty-five million yen, about one-quarter of which was produced on plantations and about

forty-one million yen worth on the tiny plots of the farmers. Thus at least thirty-seven per cent of the value of sugar cane was paid in advance. We say 'at least' because fifty-five million yen represents the official value of sugar cane in that year, though the price which the farmer gets may be much smaller than that on which the official estimate is based. It is clear that the farmer gets money in advance only because he is in need of it, and has no money of his own. Since the crop period for sugar cane in Taiwan is eighteen months, the farmer is not free in his economic decisions throughout this period."

4:Grajdanzev--62 S-4 (no date) 1942 Formosans
116, 241, 477, 427

"More than 110,000 ko of land are under control of the companies which for the most part they lease to the tenants. As will be shown later there is strong competition between tenants in Taiwan, and if the company does not supply the tenant with land, he may be ruined. He must therefore get land from the company and raise sugar cane on the conditions dictated by it."

4:Grajdanzev--64 S-4 (no date) 1942 Formosans -1-2
116, 241, 435, 477, 651, 177.65 Japan
636.65

"Let us now investigate another aspect of sugar cane production. Takahashi, in his book on the economy of Taiwan, (1) points out that as a result of the protective duty on

1. Taiwan Keizairon,

sugar, the Taiwanese farmers receive a subsidy which amounted in 1937 to ¥802.9 per ko. Takahashi arrives at this figure in a simple way: he multiplies the amount of customs duty per kin by the number of kin of sugar contained in the yield of sugar cane from one ko. All this is a fallacy. Let us compare the following figures:

Some Data on the Question of Protection of Sugar-Cane Culture in Taiwan

	1921	1927	1937
A. Sugar content (%)	9.5	10.3	14
B. Yield of sugar cane per ko (1,000 kin)	63.2	89.5	112.5
C. Sugar content of cane per ko (1,000 kin)	6.00	9.22	15.74
D. Value of cane per ko (yen)	696.7	537.0	506.3
E. What the farmer supposedly gets per kin of sugar content kin of sugar content (in sen) (D:C)*	11.6	5.9	3.2
F. Protective duty per kin of sugar, standard No. 22 (in sen)	4.7	5.3	7.2

* As was mentioned above, the price in the text is based on the official estimates of the value of the crop, though the farmer probably gets a considerably lower price.

But here we are interested in the trend of the prices and not in their absolute size.

In 1921 the farmer received 11.6 sen for each kin (0.6 kg.) of sugar content, in 1927 only 5.9 sen and in 1937 3.2 sen, while the protection of sugar in the Japanese empire was increasing (in 1921 it was 4.7 sen per kin, in 1927 5.3 sen, in 1937 7.2 sen). The purpose of the duty, clearly, is not so much to protect the 'poor farmer', as to safeguard the monopoly profits of the sugar companies."

4:Grajdanzev--98 S-4 (no date) 1942 Formosans -1-2
116, 257, 477, 563

"Before the Japanese occupation sugar production was carried on in small Chinese enterprises. But these enterprises with their primitive technique, animal power and low-quality products, were compelled to give ground step by step before the modern mills constructed and operated by the Japanese companies. The rapid extinction of these small enterprises and the growth of production of the modern mills may be seen from the following table.

Production of Sugar in Taiwan
(tons)

Year (Nov.- Oct.)	In modern mills	In improved mills	In primitive mills	Total
1905	4,535	385	44,659	49,579
1915	187,839	11,166	9,463	208,468
1917	409,165	26,560	22,367	458,092
1921	241,169	5,217	6,348	252,734
1925	467,264	4,824	7,451	479,539
1927	402,611	3,343	5,186	411,140
1929	777,931	5,776	5,621	789,328
1930	798,304	7,050	5,130	810,484
1932	977,239	6,744	5,065	989,048
1933	616,840	10,070	6,814	633,724

Production of Sugar in Taiwan [Cont.]
(tons)

Year (Nov.-Oct)	In modern mills	In improved mills	In primitive mills	Total
1934	634,403	4,721	7,919	647,043
1935	942,712	9,994	12,946	965,652
1936	880,552	10,402	10,725	901,679
1937	987,451	10,423	9,478	1,007,352
1938	...	...	...	989,778
1939	...	...	...	1,377,000

From this it appears that while in 1905 only nine per cent of the sugar was produced in modern mills, in 1937 these produced ninety-eight per cent of the total. Primitive mills and the so-called 'improved' mills had inevitably to lose the position they occupied."

4:Grajdanzev--100 S-4 (no date) 1942 Formosans
116, 257, 433, 473, 497

INFORMATION CONCERNING THE SIX LARGEST SUGAR CORPORATIONS OF TAIWAN 1939

	Taiwan Seito	*Dainippon Seito*	*Meiji Seito*	*Furuka Seito*	*Teikoku Seito*	*Showa Seito*
Established	1901	1896	1908	1908	1910	1927
Paid-up cap. (1,000 yen)	43,080	56,332	45,000	36,938	22,050	11,250
Reserves (1,000 yen)	47,138	23,093	41,500	3,430*	8,081	1,112(1937)
Principal shareholders:	The Emperor of Japan	Toyama-Seimei*	Daichi-Seimei*	Shinei-Sangyo	Yamaguchi	not published
	Mitsui bussan	Meiji-Seimei		Meiji-Seimei†	Nippon-Seimei†	
	Naikoku chokin Bank	Tokyo-Seimei			Meiji-Seimei	
	Mitsubishi-Shanghai	Kaijo-Seimei			Yasuda Bank	
		Nippon-Seimei				
		Yasuda				
Landholdings in Taiwan (ko)	46,630	17,900	13,569	...	3,274	...
Sugar production in 1937/38 (1,000 tons)	236.7	238.6	176.3	150.4	70.6	42.6
Production of molasses, 1936/37 (1,000 tons)	32.4	47.9	33.5	29.5	11.6	...
Other interests	65.7 km. of railways	1,000 km. of railways	118 km. of railways	Alcohol	30 km. of railways	...
	Alcohol	Alcohol	Alcohol	Pulp	Roads	Alcohol
	Refineries in Japan	Etc., etc.	Refineries	Railways	Alcohol	Forestry
	Etc., etc.		Rubber	Agriculture	Etc., etc.	Colonization
			Pulp	Mining		Etc., etc.
			Etc., etc.	Lumber		
				etc., etc.		
Rate of profit (%)	44.65	34.5	40.0	20.2	22.0	20.7
Dividend rate (%)	12	12	12	8	10	10

* Beside its own capital the company report mentions ¥40.6 million of borrowings.
† *Seimei* (life) are life insurance companies.
Sources: 1. *Kabushiki kaisha nenkan*, 1940; 2. *Toyo keizai, Kabushiki kaisha nenkan*, 1939; 3. Kono, R., *Seito kenkyuron*, 1938.

4:Grajdanzev--101 S-4 (no date) 1942 Formosans
116, 433, 458, 477

"All this is mentioned here [see previous paragraphs--analyst] in order to remind readers that the development of Taiwan's sugar industry, as well as of industry in general, was not smooth and uninterrupted, but passed through booms, crises, depressions—phenomena well known from the history of other countries. Taiwan can now produce much more sugar than it actually does produce (as a comparison of figures for 1933 and 1939 indicates), but the small domestic market, combined with a desire to reap high monopoly profits, keeps production far below the level of capacity, while entrance into the international market for the protected Taiwan sugar is not easy. The manufacturers are organized into a cartel which regulates prices and production in order to avoid cut-throat competition and maintain monopoly profits."

4:Grajdanzev--111-112 S-4 (no date) 1942 Formosans
116, 463, 471, 563, 477

"A similar expansion [similar to that in mining--analyst] has taken place in industry, where all large new enterprises are owned by Japanese who make up only five per cent of the population, but now own at least ninety-five per cent of the capital in Taiwan's industry and more than ninety per cent of the capital in mining. But if one takes into consideration the fact that the Japanese enterprises are modern, while those of the Chinese are small and have more primitive equipment, (1) it becomes clear that the share

1. Compare the data on sugar mills given above.

of the Japanese enterprises in production is even greater than comparison of the respective holdings would indicate. Furthermore, the shares of corporations in Taiwan are not subject to free purchase and sale. These are monopolistic [112] organizations, and shares in them are not offered on the open market but are held by the big corporations of Japan."

4:Grajdanzev--112 S-4 (no date) 1942 Formosans -1-2
116, 171, 471, 563, 477, 655, 177.47 Japan
636.47

"It may be of some interest to compare the share of native corporations in the total corporate capital of Taiwan with their share in Korea, for which the most recent data is available:

Percentage Share of the Native Corporations in the Total Capital of Corporations

	Taiwan, 1929 Per cent	Korea 1938 Per cent
Agriculture	52.8	20.7
Industry	8.5	6.6
Commerce	52.7	19.1
Communications	44.5	7.5
Fisheries	34.3	6.3
Mining	20.1	6.8
Total	19.8	11.3

Source for Korea: Kokusei gurafu, April 1940.

It is evident from this table that in Korea the occupation of commanding positions by Japanese capital had proceeded much further by 1938 than it had in Taiwan by 1929. Native capital was strongest in Taiwan in 1929 in agriculture, commerce, communications and fisheries and it is interesting to note that Korean capital was most strongly placed

just in these branches in 1920. This is not a coincidence. The squeezing out of the native capital usually begins in industry and mining (2) and reaches commerce and agriculture

2. Actually it began with communications. The railroads in both colonies are in Japanese hands, but since they belong chiefly to the government they are not included in the above figures.

only at a later stage. In Korea native capital is now only eleven per cent of total corporate capital. and there is no reason to expect that the proportion is higher in Taiwan.

The answer to the first question as to the nationality of capital in industry and mining in Taiwan is thus quite clear—from ninety to ninety-five per cent of this capital belongs to the Japanese."

"The money which the banks and credit cooperatives collect is lent to the business men and farmers, and here one finds a great difference in the position of the big firms and the small farmers or artisans. The banks serve chiefly Japanese firms, and their credit requirements differ little from those in Japan. Small business men secure their credit in urban credit societies which sometimes charge as much as thirteen per cent and usually ten per cent, while rural credit societies usually charge twelve per cent and in the worst cases seventeen per cent. (1) But both urban and rural credit societies grant

1. These rates are taken from Sangyo kumiai nenkan, 1938, Tokyo. K. Takahashi asserts that the usual rate for mortgages on real property is 15 per cent, op. cit. p. 601).

such credit only on good security, so that the demand of many farmers for credit remains unsatisfied and they are compelled to apply for loans to private individuals who charge twenty to twenty-five per cent, and as Takahashi remarks, cases where more than twenty-five per cent is charged are not rare.

This brief survey is sufficient to show that the modern banks in Taiwan help to collect money from the population and loan it at a relatively low rate of interest to the big Japanese firms, while the Chinese have to apply for loans to other sources where they pay two to five times as high a rate of interest as that which the Japanese firms pay.

116, 426, 453, 563, 477

The importance of this fact cannot be overemphasized. The Chinese enterprises are unable to compete with the Japanese, not so much because the Chinese are 'unable to organize corporations' on account of their 'national characteristics,' [rationalizations given by Takahashi for the domination of industry by the Japanese see pages 112-113 in category 116--analyst] but because their financing costs them two to five times as much as it does the Japanese enterprises."

"Independent trade and foreign business are at an end (1) and the handful of foreigners

1. Identical amounts of foreign trade may mean different things for a nation; thus if an American firm buys tea in Taiwan, transports it to the United States in an American ship and sells it to retailers, the net result for the United States is very different from the case where a Japanese firm buys tea in Taiwan, brings it to the United States in Japanese bottoms, and sells it to American retailers.

in Taiwan are in a precarious position. In his [147] book 'Taiwan under Imperialism' Tadao Yanaihara explains this in the following way (2): in their competition with foreign

2. Yanaihara, op. cit., pages 48-49.

and Chinese merchants the Japanese traders had great capital; they also entered the sphere of production; they had the advantage of the cooperation of the Taiwan Bank; they were helped by state monopolies; they enjoyed subsidies from the state; they were protected by the tariff wall. But nowhere in his book does Professor Yanaihara give proof that the Japanese merchants had greater amounts of capital when their enterprises were organized. The huge capital funds were not brought from Japan; they were created in Taiwan itself. Neither can any reason be found for combination of trade and production

as a cause of their success. According to his own statement (op. cit., page 48), the foreign traders and shipping were almost completely driven out (hotondo kuchiku serarete) by 1907. But at that time no Japanese took any part in the production of rice, whereas in tea production Mitsui Bussan Co. and Nozawa have participated only since 1907. As late as 1905 about 90% of the sugar was produced in primitive mills and only 4,535 tons in the mills of the newly-established Japanese enterprises, while the total exports of sugar for 1905 were but 42,600 tons. Pineapples and bananas were unimportant as articles of export in these early years: bananas appeared in the custom reports in 1907 (valued at only 44,129 yen), pineapples to the value of only 18,639 yen were exported in the same year. Since camphor became a monopoly, there is no question of competition with respect to it; while alcohol was practically not exported."

4:Grajdanzev--147 S-4 (no date) 1942 Formosans
116, 171, 477, 656, 177.47 Japan
636.47

"The establishment of a Japanese bank does not of itself mean that Japanese merchants would enjoy privileges in it in comparison with other clients. There remain then monopolies, subsidies, tariff walls and--we add--taxation policy, administrative pressure and other similar measures as causes of the Japanese commercial success. The same measures were applied in Korea, later on in Manchuria and are now being used in China."

4:Grajdanzev--158-159 S-4 (no date) 1942 Formosans
116, 171, 457, 477, 661, 177.43 Japan
636.43

"The usual explanation of Japan's ability to obtain year after year tens of millions of yen worth of goods over and above what is sent from Japan to Taiwan is that this balance represents the interest on Japanese capital invested in Taiwan and the profits of the Japanese businessmen there. But a closer analysis of the figures given above reveals that this explanation is not satisfactory. It is important to understand that we are concerned here with investments and the returns on them, not from the point of view of an individual, but from the point of view of two regions——Taiwan and Japan. From 1896 to 1908. [159] inclusive, Japan sent goods to the value of 31,655,000 yen over and above her imports from the island and this represents her real outlay in the colony. She now receives from Taiwan sums which in every year since 1914 have been greater than this original 31,655,000 yen; which in every year since 1924 have been more than twice as great; and which in every year since 1934 three times as great, and in 1939 were six times as great as the original sum. Is this the legitimate interest on capital and profits of the entrepreneurs which are due to their energy, foresight and managerial ability?

Of course, we know that high profits are made not only in Taiwan, but, say, in the United States as well. Does this fact refute our thesis of exploitation? In no way. The existence of monopolies in the United States is a fact known to all. However, these monopolies are not permanent. Some of them appear, some disappear, every year."